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West Palm Beach, FL 33401-6162

Independent Auditors' Report

**Members of the Governing Board of the
South Florida Water Management District:**

We have audited the accompanying basic financial statements of the South Florida Water Management District, a component unit of the State of Florida, as of and for the year ended September 30, 2001, as listed in the table of contents. These basic financial statements are the responsibility of the South Florida Water Management District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the South Florida Water Management District, as of September 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the basic financial statements, the South Florida Water Management District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, effective October 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2002 on our consideration of the South Florida Water Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis (MD&A) and the required supplementary information other than MD&A, on pages II-3 and II-40-45, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the South Florida Water Management District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical section listed in the accompanying table of contents is not a required part of the basic financial statements of the South Florida Water Management District. Accordingly, we did not audit this information and express no opinion on it.

KPMG LLP

February 8, 2002

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

Our discussion and analysis of the South Florida Water Management District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2001. Please read it in conjunction with the transmittal letter beginning on page I-1 and the District's financial statements, which begin on page II-11.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of its most recent fiscal year by \$1.75 billion. Of this amount, \$221.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$266.2 million, an increase of \$25.5 million in comparison with the prior year. Of this total amount \$147.1 million is available for spending at the District's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$32.6 million, or 36.8 percent of total general fund expenditures.
- The District's total debt decreased by \$7.3 million during the current fiscal year. This decrease was due to the reduction of bonded debt and bank loans as the District made its scheduled payments during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages II-11 to II-13 of this report.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Okeechobee Basin SR fund, State Appropriations fund, Lake Okeechobee Trust fund, Save Our Rivers CP fund, Everglades Trust fund, Comprehensive Everglades Restoration Plan (CERP) fund and the Federal Land Acquisitions fund, all of which are considered to be major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for all of its funds except the Everglades Contributions fund. Budgetary comparison schedules have been provided for the General fund, Okeechobee Basin SR fund, State Appropriations fund and the Lake Okeechobee Trust fund to demonstrate compliance with this budget. Budgetary comparison schedules for the other governmental funds are presented on pages III-16 to III-45 of this report.

The basic governmental fund financial statements can be found on pages II-14 to II-20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages II-22 to II-38 of this report.

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes. The combining and individual fund statements can be found on pages III-1 to III-45 of this report.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1.75 billion at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (86 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Assets As of September 30, 2001*

Current and Other Assets	\$320,251,710
Capital Assets	<u>1,610,925,325</u>
Total Assets	<u>1,931,177,035</u>
Current and Other Liabilities	53,750,530
Long-term Liabilities Outstanding	<u>123,606,362</u>
Total Liabilities	<u>177,356,892</u>
Net Assets:	
Invested in Capital Assets,	
Net of Related Debt	1,510,106,373
Restricted	22,343,055
Unrestricted	<u>221,370,715</u>
Total Net Assets	<u>\$1,753,820,143</u>

*Comparative amounts for prior fiscal years will be reported in future editions of the management discussion and analysis.

An additional portion of the District's net assets (1.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets (\$221.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the District is able to report positive balances in all three categories of net assets.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2001

Key elements of the net asset increase are as follows:

District's Changes in Net Assets* Fiscal Year Ended September 30, 2001

Revenues	
Program Revenues	
Charges for Services	\$8,592,228
Operating Grants and Contributions	38,985,211
Capital Grants and Contributions	83,531,749
General Revenues	
Property Taxes	256,149,741
Contributions for Long-term Maintenance	675,660
Investment Earnings	18,291,529
Other	11,166,779
Total revenues	<u>417,392,897</u>
Expenses	
General Government	14,805,510
Government and External Affairs	757,521
Everglades Restoration	28,697,826
Water Resource Management	90,612,466
Water Resource Operations	66,675,430
Corporate Resources	52,084,816
Interest on Long-term Debt	5,036,471
Total Expenses	<u>258,670,040</u>
Increase in Net Assets	158,722,857
Net assets – September 30, 2000	<u>1,595,097,286</u>
Net assets – September 30, 2001	<u>\$1,753,820,143</u>

*Comparative amounts for prior fiscal years will be reported in future editions of the management discussion and analysis.

Property taxes continue as our primary source of revenue. For fiscal year 2001, property taxes totaled \$256.1 million. Although the District's millage rate has changed little in recent years, property tax revenues have increased annually due to the increase in property values and new construction throughout the District.

Capital grants and contributions totaled \$83.5 million during the fiscal year. The majority of this revenue was provided by the Florida Department of Environmental Protection and the U.S. Department of the Interior to assist the District in acquiring land necessary for water management.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

Investment earnings totaled \$18.3 million in fiscal year 2001. The District earned most of its investment revenues by placing idle cash in the Florida Local Government Funds Surplus Trust Fund. Additional revenue was earned from investments with U.S. Agency Obligations and money market accounts.

Expenses for Water Resource Management totaled \$90.6 million in fiscal year 2001. These expenses represent our continued commitment to water management planning and the implementation of programs to enhance and preserve water resources.

Expenses for Water Resource Operations totaled \$66.7 million in fiscal year 2001. These expenses include the costs of operating our pump stations and canals, which provide both flood protection and water supply to the public.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$266.2 million, an increase of \$25.5 million in comparison with the prior year. Approximately 55 percent of this total amount (\$147.1 million) is unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$102.7 million), and 2) to pay costs associated with the District's wetland mitigation program (\$16.3 million).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$32.6 million, while total fund balance reached \$49.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.8 percent of total General Fund expenditures, while total fund balance represents 55.4 percent of that same amount.

The fund balance of the District's General Fund increased by \$7.3 million during the current fiscal year. The key factor in this growth was the increase in property tax revenues by \$7.6 million due to the increase in property values and increased construction throughout the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

Expenditures in the final amended General Fund budget were \$3.2 million greater than the original budget. This increase in appropriations was made to allow for the purchase and operation of submersible pumps to move water from Lake Okeechobee to areas affected by drought.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2001 amounts to \$1.6 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, water control structures, and construction in process.

Major capital asset events during the current fiscal year included the following:

- Land purchases funded by the Save Our Rivers program totaled \$38.3 million.
- Land purchases in the Everglades Trust Fund totaled \$833,000 and the construction costs for stormwater treatment areas totaled \$11.2 million.
- Land purchases funded by federal government sources totaled \$36.3 million.

Capital Assets* (net of depreciation)

Land	\$951,532,474
Buildings	32,568,464
Equipment	39,364,595
Improvements	6,337,605
Water Control Structures	444,573,091
Construction in Process	136,549,096
Total	<u>\$1,610,925,325</u>

*Comparative amounts for prior fiscal years will be reported in future editions of the management discussion and analysis.

Additional information on the District's capital assets can be found in note 8 on page II-32 of this report.

LONG-TERM DEBT ADMINISTRATION

At the end of the current fiscal year, the District had total bonded debt outstanding of \$72,075,000, composed solely of Special Obligation Land Acquisition Bonds. Documentary stamp tax revenues provided through the State of Florida's Water Management Lands Trust Fund secure the repayment of this debt.

Long-term Debt Outstanding

	<u>2001</u>	<u>2000</u>
Special Obligation Land Acquisition Bonds	\$72,075,000	\$76,060,000
Bank Loans	<u>22,470,636</u>	<u>25,824,243</u>
Total	<u>\$94,545,636</u>	<u>\$101,884,243</u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

The District's total debt decreased by \$7.3 million (7.2 percent) during the current fiscal year. This decrease resulted from the retirement of bonds and payment of bank loans during the fiscal year.

The District has a credit rating of Aaa for its outstanding bonds from Standard and Poor's.

The District, in its *Principles of Sound Financial Management*, has adopted principles that define our commitment to prudent debt management. The District has historically maintained the following self-imposed debt limit ratios and we have maintained our compliance with them during the current fiscal year:

- Our net debt per capita ratio cannot exceed \$50.
- Our ratio of debt service to total general governmental expenditures cannot exceed 15%.
- Our debt to capital ratio cannot exceed 30%.

Additional information about the District's long-term debt can be found in Note 10 on pages II-33 and II-34 of this report.

LONG-TERM CONSTRUCTION COMMITMENTS

The **Everglades Construction Project** (ECP) is the first major step in Everglades restoration pursuant to the Everglades Forever Act of 1994. The Act directs the District to acquire land, design, permit, and construct a series of Stormwater Treatment Areas (STAs) to reduce phosphorus levels from stormwater runoff and other sources before it enters the Everglades Protection Area. These six large constructed wetlands, totaling over 47,000 acres, are the cornerstone of the ECP.

Of the estimated \$743 million cost, the District has expended \$412 million on the Everglades Construction Project through fiscal year 2001. The District is required to finish construction of the final STA by October 1, 2003 and other ancillary projects will continue through fiscal year 2006. Funding is mainly provided by a one-tenth mill tax levy, and an agricultural privilege tax on landowners in the Everglades Agricultural Area.

The **Kissimmee Basin Restoration** is a massive project that includes converting the Kissimmee River and adjacent lands back to a more natural state. This involves restoring 43 miles of the historic river and approximately 40 square miles of river/floodplain ecosystem.

The state and federal governments will split the estimated \$500 million cost to restore the river. The U.S. Army Corps of Engineers is responsible for the construction and the design of the restoration. The state has purchased approximately 80 percent of the 87,000 acres it needs, including land around the up-river lakes, to hold more water. Approximately \$84.5 million is required to obtain the remaining land interests.

The **Comprehensive Everglades Restoration Plan** (CERP) is the plan for the restoration, protection, and preservation of the water resources of central and southern Florida, including the Everglades. Principal features of the plan are the creation of approximately 217,000 acres of new reservoirs and wetlands-based water treatment areas. These features vastly increase storage and water supply for the natural system, as well as for urban and agricultural needs. The CERP is intended to restore a more natural flow of water, improve water quality and restore a more natural hydroperiod in the South Florida ecosystem.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2001

Through the Water Resources Development Act of 2000, Congress has authorized an initial \$1.4 billion package of projects that will begin implementation of the Comprehensive Plan. The initial authorization includes (1) four pilot projects, (2) ten specific project features, and (3) a programmatic authority through which smaller projects can be more quickly implemented. Authorization for the remaining features of the Plan will be requested in subsequent Water Resources Development Act proposals beginning in 2002.

Implementation of the Comprehensive Everglades Restoration Plan is estimated to cost \$8.4 billion, half of which will be paid by the federal government. The State of Florida and the South Florida Water Management District will each provide approximately one-fourth of the total cost.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District relies on property taxes for the largest portion of its budget. Taxable property value within the District increased by nearly 8.3 percent in 2001, mainly due to new construction as well as higher assessed values for existing property.
- The unemployment rate for the District is currently 5.6%, which is an increase from a rate of 5.0% of a year ago. The District's unemployment rate has historically been higher than that of the state of Florida (currently 4.3%) and the nation (currently 4.9%), due to higher than average unemployment rates in some of the District's rural counties.

These factors were considered in preparing the District's budget for the 2002 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$32.6 million. The District has appropriated \$10 million of this amount for spending in the fiscal year 2002 budget. It is intended that this use of available fund balance will avoid the need to raise property tax millage rates in the general fund during fiscal year 2002.

Requests for Information

The District's financial statements are designed to present users (citizens, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's Director of Accounting and Financial Services at P.O. Box 24680, West Palm Beach, Florida 33416-4680.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2001

	TOTAL GOVERNMENTAL ACTIVITIES
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ASSETS	
Cash and Investments	\$300,720,280
Accounts Receivable	178,011
Due From Other Governments	17,173,647
Inventory	813,469
Other Assets	1,366,303
Capital Assets	
Land	951,532,474
Canals and Levees	327,484,034
Construction in Process	136,549,096
Other Capital Assets, Net of Depreciation	195,359,721
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TOTAL ASSETS	\$1,931,177,035
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LIABILITIES	
Accounts Payable	\$28,186,587
Deferred Revenue	25,563,943
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	4,160,000
Bank Loans Payable	3,496,940
Capital Leases Payable	1,966,620
Compensated Absences	762,000
Self Insurance Claims Payable	1,296,000
Other Claims Payable	140,000
Due In More Than One Year	
Bonds Payable	67,915,000
Bank Loans Payable	18,973,696
Capital Leases Payable	4,306,696
Compensated Absences	13,923,000
Self Insurance Claims Payable	4,466,410
Other Claims Payable	2,200,000
	<hr/>
TOTAL LIABILITIES	\$177,356,892
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NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$1,510,106,373
Restricted for:	
Debt Service	6,046,727
Wetlands Mitigation	
Expendable	10,726,221
Nonexpendable	5,570,107
Unrestricted	221,370,715
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TOTAL NET ASSETS	\$1,753,820,143
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2001

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
General Government	\$14,805,510	\$ -	\$135,000	\$198,000
Government and External Affairs	757,521	-	-	-
Everglades Restoration	28,697,826	-	161,111	8,410,930
Water Resource Management	90,612,466	8,592,228	21,675,549	70,601,892
Water Resource Operations	66,675,430	-	15,914,201	4,320,927
Corporate Resources	52,084,816	-	1,099,350	-
Interest on Long-term Debt	5,036,471	-	-	-
TOTAL	\$258,670,040	\$8,592,228	\$38,985,211	\$83,531,749

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Everglades Construction

Contributions for Long-Term Maintenance of Wetlands

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

NET (EXPENSE) REVENUE
AND CHANGE IN
NET ASSETS

TOTAL
GOVERNMENTAL
ACTIVITIES

(\$14,472,510)
(757,521)
(20,125,785)
10,257,203
(46,440,302)
(50,985,466)
(5,036,471)

(127,560,852)

210,666,897
45,482,844
675,660
18,291,529
11,166,779

286,283,709

158,722,857

1,595,097,286

\$1,753,820,143

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2001

	GENERAL	OKEECHOBEE BASIN SR	STATE APPROPRIATIONS
<u>ASSETS</u>			
Cash and Investments	\$56,445,655	\$36,266,831	\$15,594,924
Accounts Receivable	37,277	-	-
Due From Other Governments	1,004,948	1,333,820	391,098
Due From Other Funds	624,332	496,895	-
Inventory	15,343	766,271	-
Other Assets	442,716	68,625	-
TOTAL ASSETS	<u>\$58,570,271</u>	<u>\$38,932,442</u>	<u>\$15,986,022</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$9,290,911	\$2,111,888	\$420,676
Insurance Claims Payable	214,436	-	-
Due To Other Funds	-	-	-
Deferred Revenue	-	221,219	10,975,184
TOTAL LIABILITIES	<u>9,505,347</u>	<u>2,333,107</u>	<u>11,395,860</u>
<u>FUND BALANCES</u>			
Reserved for:			
Encumbrances	16,460,385	9,273,793	7,865,077
Acquisition of Land	-	-	-
Enhancement of Land	-	-	-
Long-term Management of Land	-	-	-
Unreserved			
Designated for:			
Subsequent Years Expenditures	9,998,710	13,537,167	-
Economic Stabilization	5,100,000	5,002,000	-
Insurance Claims	7,327,857	-	-
Comprehensive Everglades Restoration Program (CERP)	5,000,000	-	-
Kissimmee River	-	4,640,000	-
Future Big Cypress Basin Capital Projects	-	-	-
Undesignated, Reported in:			
General Fund	5,177,972	-	-
Special Revenue Funds	-	4,146,375	(3,274,915)
Capital Projects Funds	-	-	-
Permanent Fund	-	-	-
TOTAL FUND BALANCES	<u>49,064,924</u>	<u>36,599,335</u>	<u>4,590,162</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$58,570,271</u>	<u>\$38,932,442</u>	<u>\$15,986,022</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

LAKE OKEECHOBEE TRUST FUND	SAVE OUR RIVERS CP	EVERGLADES TRUST FUND	COMPREHENSIVE EVERGLADES RESTORATION PLAN (CERP)	FEDERAL LAND ACQUISITIONS
\$14,611,776	\$10,568,393	\$32,664,611	\$35,604,545	\$5,972,098
-	25,000	-	-	-
-	8,991,021	347,661	13,767	-
-	-	-	-	-
-	-	-	-	-
-	-	854,962	-	-
<u>\$14,611,776</u>	<u>\$19,584,414</u>	<u>\$33,867,234</u>	<u>\$35,618,312</u>	<u>\$5,972,098</u>
\$128,884	\$338,735	\$6,153,167	\$1,463,264	\$157,102
-	-	-	-	-
-	-	-	-	-
<u>14,367,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,496,424</u>	<u>338,735</u>	<u>6,153,167</u>	<u>1,463,264</u>	<u>157,102</u>
8,570,748	3,247,291	9,108,624	3,934,485	4,086,052
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	15,998,388	18,605,443	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	9,000,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(8,455,396)	-	-	-	-
-	-	-	21,220,563	1,728,944
-	-	-	-	-
<u>115,352</u>	<u>19,245,679</u>	<u>27,714,067</u>	<u>34,155,048</u>	<u>5,814,996</u>
<u>\$14,611,776</u>	<u>\$19,584,414</u>	<u>\$33,867,234</u>	<u>\$35,618,312</u>	<u>\$5,972,098</u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2001

	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>		
Cash and Investments	\$92,991,447	\$300,720,280
Accounts Receivable	115,734	178,011
Due From Other Governments	5,091,332	17,173,647
Due From Other Funds	-	1,121,227
Inventory	31,855	813,469
Other Assets	-	1,366,303
TOTAL ASSETS	<u>\$98,230,368</u>	<u>\$321,372,937</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$6,235,232	\$26,299,859
Insurance Claims Payable	-	214,436
Due To Other Funds	1,121,227	1,121,227
Deferred Revenue	<u>2,021,820</u>	<u>27,585,763</u>
TOTAL LIABILITIES	<u>9,378,279</u>	<u>55,221,285</u>
<u>FUND BALANCES</u>		
Reserved for:		
Encumbrances	40,195,614	102,742,069
Acquisition of Land	4,208,016	4,208,016
Enhancement of Land	6,518,205	6,518,205
Long-term Management of Land	5,570,107	5,570,107
Unreserved		
Designated for:		
Subsequent Years Expenditures	18,294,638	76,434,346
Economic Stabilization	353,000	10,455,000
Insurance Claims	-	7,327,857
Comprehensive Everglades Restoration Program (CERP)	9,000,000	23,000,000
Kissimmee River	-	4,640,000
Future Big Cypress Basin Capital Projects	2,000,000	2,000,000
Undesignated, Reported in:		
General Fund	-	5,177,972
Special Revenue Funds	11,799,885	4,215,949
Capital Projects Funds	(9,318,044)	13,631,463
Permanent Fund	<u>230,668</u>	<u>230,668</u>
TOTAL FUND BALANCES	<u>88,852,089</u>	<u>266,151,652</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$98,230,368</u>	<u>\$321,372,937</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2001

Fund balances - total governmental funds	\$266,151,652
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds

Governmental capital assets	1,715,688,189	
Less accumulated depreciation	<u>(104,762,864)</u>	
		1,610,925,325

Revenue is recognized when earned in the government-wide statements,
regardless of availability. Governmental funds report deferred revenue
for revenues earned but not available.

Deferred revenue	2,021,820
------------------	-----------

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the governmental funds

Bonds payable	(72,075,000)	
Bank loans payable	(22,470,636)	
Capital leases payable	(6,273,316)	
Compensated absences	(14,685,000)	
Self insurance claims payable	(5,547,974)	
Other claims payable	<u>(2,340,000)</u>	
		(123,391,926)

Bond interest due October 1, 2001 is not reported as a liability of the governmental funds

Accrued interest payable	(1,886,728)
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Net assets of governmental activities	<u><u>\$1,753,820,143</u></u>
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2001

	GENERAL	OKEECHOBEE BASIN SR	STATE APPROPRIATIONS
REVENUES			
Ad Valorem Property Taxes	\$100,664,331	\$102,532,014	\$ -
Agricultural Privilege Taxes	-	-	-
Intergovernmental	292,828	2,307,841	8,042,121
Interest	4,994,449	4,221,377	362,714
Licenses, Permits and Fees	4,059,715	264,230	-
Self Insurance Premiums	2,323,352	-	-
Sale of District Property	195,099	71,628	-
Indirect Costs Recovered	2,966,738	-	-
Leases	76,902	21,481	-
Other	519,402	51,077	4,813
Total Revenues	116,092,816	109,469,648	8,409,648
EXPENDITURES			
Current Operating			
General Government	8,089,144	2,924,243	-
Government and External Affairs	642,686	-	-
Everglades Restoration	68,974	768,436	-
Water Resource Management	25,661,861	20,776,773	7,755,733
Water Resource Operations	8,506,485	47,155,350	4,375
Corporate Resources	45,579,079	104,502	95,526
Capital Outlay	-	-	-
Debt Service			
Principal Retirement	-	-	-
Interest and Other Fiscal Charges	-	-	-
Total Expenditures	88,548,229	71,729,304	7,855,634
Revenues In Excess of (Less Than) Expenditures	27,544,587	37,740,344	554,014
OTHER FINANCING SOURCES (USES)			
Transfers In	147,067	1,794,693	-
Transfers Out	(23,864,157)	(34,291,177)	-
Capital Lease Proceeds	2,351,289	1,179,651	-
Total Other Financing Sources (Uses)	(21,365,801)	(31,316,833)	-
Net Change in Fund Balances	6,178,786	6,423,511	554,014
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	42,886,138	30,175,824	4,036,148
FUND BALANCE AT END OF YEAR	\$49,064,924	\$36,599,335	\$4,590,162

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

LAKE OKEECHOBEE TRUST FUND	SAVE OUR RIVERS CP	EVERGLADES TRUST FUND	COMPREHENSIVE EVERGLADES RESTORATION PLAN (CERP)	FEDERAL LAND ACQUISITIONS
\$ -	\$ -	\$32,754,230	\$ -	\$ -
-	-	12,728,614	-	-
9,132,460	23,868,224	10,293,334	3,169,465	37,106,515
80,645	111,337	2,350,199	828,229	372,215
-	-	-	-	-
-	-	-	-	-
-	4,339,794	257,500	71,324	-
-	-	-	-	-
-	823,644	498,246	-	25,058
-	94,207	169,005	1,211	4,817
<u>9,213,105</u>	<u>29,237,206</u>	<u>59,051,128</u>	<u>4,070,229</u>	<u>37,508,605</u>
-	253,284	906,370	-	6,853
-	-	-	-	-
-	-	22,841,312	2,063,359	-
8,598,234	2,668,049	699,830	16,951,395	625,072
499,519	-	15,242	6,257	-
-	48,625	232,091	48,804	-
-	38,368,598	19,353,653	1,142,031	36,277,093
-	3,985,000	-	-	-
-	3,861,824	-	-	-
<u>9,097,753</u>	<u>49,185,380</u>	<u>44,048,498</u>	<u>20,211,846</u>	<u>36,909,018</u>
<u>115,352</u>	<u>(19,948,174)</u>	<u>15,002,630</u>	<u>(16,141,617)</u>	<u>599,587</u>
-	-	66,091	39,556,906	-
-	(1,113,625)	(3,192,634)	-	-
-	-	-	-	-
-	(1,113,625)	(3,126,543)	39,556,906	-
115,352	(21,061,799)	11,876,087	23,415,289	599,587
-	40,307,478	15,837,980	10,739,759	5,215,409
<u>\$115,352</u>	<u>\$19,245,679</u>	<u>\$27,714,067</u>	<u>\$34,155,048</u>	<u>\$5,814,996</u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2001

	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Ad Valorem Property Taxes	\$7,470,552	\$243,421,127
Agricultural Privilege Taxes	-	12,728,614
Intergovernmental	26,273,139	120,485,927
Interest	5,259,967	18,581,132
Licenses, Permits and Fees	4,781,501	9,105,446
Self Insurance Premiums	-	2,323,352
Sale of District Property	61,341	4,996,686
Indirect Costs Recovered	-	2,966,738
Leases	567,111	2,012,442
Other	35,471	880,003
Total Revenues	44,449,082	417,501,467
EXPENDITURES		
Current Operating		
General Government	2,466,668	14,646,562
Government and External Affairs	-	642,686
Everglades Restoration	4,219,510	29,961,591
Water Resource Management	23,865,735	107,602,682
Water Resource Operations	15,506,697	71,693,925
Corporate Resources	4,019,684	50,128,311
Capital Outlay	17,878,749	113,020,124
Debt Service		
Principal Retirement	-	3,985,000
Interest and Other Fiscal Charges	-	3,861,824
Total Expenditures	67,957,043	395,542,705
Revenues In Excess of (Less Than) Expenditures	(23,507,961)	21,958,762
OTHER FINANCING SOURCES (USES)		
Transfers In	24,808,314	66,373,071
Transfers Out	(3,911,478)	(66,373,071)
Capital Lease Proceeds	-	3,530,940
Total Other Financing Sources (Uses)	20,896,836	3,530,940
Net Change in Fund Balances	(2,611,125)	25,489,702
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	91,463,214	240,661,950
FUND BALANCE AT END OF YEAR	\$88,852,089	\$266,151,652

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES SEPTEMBER 30, 2001

Net change in fund balances - total governmental funds		\$25,489,702
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	136,186,616	
Less current year depreciation	<u>(12,102,303)</u>	
		124,084,313
Governmental funds report revenues when earned and available. However, in the statement of activities, revenues are recognized when earned, regardless of availability.		
Program revenue - charges for services	(1,850,000)	
Program revenue - operating grants	(280,390)	
Program revenue - capital grants	<u>2,021,820</u>	
		(108,570)
Repayment of borrowed principal from bonds, bank loans and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bonds principal payment	3,985,000	
Bank loan principal payments	3,353,607	
Capital leases principal payments	<u>1,778,301</u>	
		9,116,908
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Change in long-term compensated absences	(1,236,000)	
Change in self insurance claims payable	(476,863)	
Change in other claims payable	1,765,000	
Bond interest payable at September 30, 2001	(1,886,728)	
Bond interest payable at September 30, 2000	<u>1,975,095</u>	
		140,504
Change in net assets of governmental activities		<u><u>\$158,722,857</u></u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(1) DESCRIPTION OF THE SOUTH FLORIDA WATER MANAGEMENT DISTRICT

The South Florida Water Management District (the District) is a public corporation organized under Florida Statutes, Chapter 373, and is controlled by a Governing Board consisting of nine members appointed by the Governor to staggered four-year terms.

The District covers all or parts of sixteen counties in central and southern Florida. The primary objectives of the District are to promote the natural systems protection and restoration, development and proper utilization of surface and ground water within District boundaries and to prevent damage from floods, soil erosion and excessive drainage. To accomplish these objectives, the District is empowered to manage and regulate the usage and storage of water within District boundaries and to acquire properties and construct facilities as necessary. The District works in concert with the State of Florida (the State) and agencies of the federal government to accomplish the previously described water management objectives.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The more significant accounting policies are summarized in the following paragraphs.

(a) Reporting Entity

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any component units and is not a participant in any joint venture.

The District is a component unit of the State of Florida. The State provides funding for District programs through the sale of State debt, the sharing of documentary stamp revenues, and the approval of various annual grants and entitlements.

(b) New Reporting Model

In June 1999 the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Subsequent to the issuance of Statement No. 34, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments - Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements provide for the most significant changes in financial reporting in over twenty years and are scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger Florida local governments).

The State of Florida must prepare its financial statements for the fiscal year ending June 30, 2002 using the new reporting model. As a component unit, the District must provide audited financial statements to the State using the new reporting model. Because the District's fiscal year ends on September 30, the District is required to implement the new reporting model for the 2001 fiscal year.

Under the new reporting model the basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is either on the District as a whole or major individual funds (within the fund financial statements).

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to the current fiscal year the District accounted for its self-insurance program in an internal service fund. Effective October 1, 2000 the District closed its internal service fund and combined its assets, liabilities and fund equity with the General Fund. A restatement of fund balance was necessary to convert the internal service fund from the accrual basis of accounting to the modified basis of accounting and close it to the General Fund. The effect of this change in accounting principle was to increase beginning fund balance in the General Fund by \$6,411,810.

(c) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

(d) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within sixty days of the end of the current fiscal period. A one-year availability period is used for all other revenues.

Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

For the year ended September 30, 2001 the District adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement requires the District to accrue amounts due from other governments when all eligibility requirements have been met. The implementation of this statement resulted in the following adjustments to prior year amounts. The Save Our Rivers SR Fund beginning fund balance was reduced by \$9,830,098, the State Appropriations Fund beginning fund balance was reduced by \$2,628,544, and the Save Our Rivers CP Fund beginning fund balance was reduced by \$28,887,876.

(e) Major Funds

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The Okeechobee Basin SR Fund accounts for the normal operating expenditures of the Okeechobee Basin, an area covering all or part of fifteen counties in South Florida. Funding is provided by a .313 mill property tax levy, intergovernmental revenues, permitting fees and interest earnings.

The State Appropriations Fund accounts for expenditures made for various projects utilizing state sources. Among the funding sources are the Surface Water Improvement and Management (SWIM) Fund, the Water Management Lands Trust Fund, and various state agencies.

The Lake Okeechobee Trust Fund accounts for restoration projects associated with Lake Okeechobee. Funding is provided by the Florida Department of Environmental Protection.

The Save Our Rivers CP Fund accounts for capital expenditures for the purchase of sensitive water resource land and principal and interest payments on special obligation land acquisition bonds. Funding is provided through allocations from the Preservation 2000 Trust Fund, documentary stamp tax revenues appropriated and allocated in the District's name and deposited in the Florida Water Management Lands Trust Fund administered by the State of Florida, regulatory fines, and interest earnings.

The Everglades Trust Fund accounts for capital expenditures to construct six stormwater treatment areas to cleanse stormwater runoff from the Everglades Agricultural Area (EAA) through naturally occurring biological and physical processes. Additional objectives include hydroperiod restoration and water supply. Funding is provided through a .100 mill tax levy, non-ad valorem assessments to property owners in the EAA, State and Federal contributions, and interest earnings.

The Comprehensive Everglades Restoration Plan (CERP) Fund accounts for revenues and expenditures associated with projects included in the Central and Southern Florida (C&SF) Restudy and which form the basis of the CERP. Excluded are those C&SF Restudy projects that are accounted for in the Critical Restoration Projects Fund. These projects are designed to increase the availability of water supplies for consumptive use or cost share with the federal government on regional projects intended to mitigate consequences that are an outgrowth of the original Central and Southern Florida Flood Control Project. Funding is provided by operating transfers from the General Fund and the Okeechobee Basin SR Fund.

The Federal Land Acquisitions Fund accounts for expenditures relating to land purchases that are reimbursed by the federal government.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. The reported budgetary data represent the original and the final amended budgets as approved by the Governing Board. Budgets are adopted for all funds except the Everglades Contributions Special Revenue Fund.

The Governing Board approved two supplemental budget appropriations during the fiscal year, resulting in a net increase in appropriations of \$72.2 million. The Governing Board also approves budget transfers between departments and capital projects during the year. The level of control at which expenditures may not legally exceed the budget is at the fund level. Department directors can approve line item overruns as long as the total major object budget within a fund and department is not exceeded.

(g) Cash and Investments

The District utilizes pooled cash accounting whereby excess monies are aggregated for investment purposes. Negative cash balances in individual funds are reported as interfund payables with offsetting receivables recorded in loaning fund(s). Cash includes currency on hand and demand deposits.

Florida Statutes authorize investments in (1) United States Treasury securities unconditionally guaranteed by the full faith and credit of the United States Government, (2) United States Agency Obligations, (3) repurchase agreements collateralized by United States Treasury securities perfected by a transfer of title of the underlying security, (4) general obligation bonds of any incorporated county, city, town, school district or road and bridge district located in the State of Florida, (5) insured or fully collateralized certificates of deposit of banks and savings and loan associations approved under Chapter 280, Florida Statutes, and (6) money market accounts which are invested in United States Treasury securities.

As of September 30, 2001 the District had placed the largest portion of its investments with the Local Government Surplus Funds Trust Fund. This is a highly liquid investment pool available for investing temporarily idle cash by Florida governments and is managed by the State Board of Administration (SBA). In order to accommodate pool participants with readily available cash, a substantial portion of the portfolio is placed in short term securities. According to the SBA, the pool met the criteria to be considered as "2a-7 like", as defined by GASB Statement No. 31. Accordingly, the fund has been reported at the same value as the pool shares allocated to the District.

The Local Government Surplus Funds Trust Fund is governed by the rules of Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

During the year the District did not directly invest any resources in derivatives. Investments made through State-administered trust funds include derivatives. These investments are made on a pooled basis and the individual risk to the District is unknown.

(h) Inventory

Inventory is stated at average cost and consists of fuel, chemicals and supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets (bridges, water control structures, canals and levees), are reported in the government-wide financial statements. Items purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are recorded at their estimated fair market value on the date donated. Maintenance, repairs and minor renovations are not capitalized.

The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred. Amounts expended by Federal agencies on projects related to District activities are included in revenue and expenditures although the District has no control over the projects or the expenditures of the Federal funds.

Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost is eliminated from the respective accounts.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10-40
Improvements Other Than Buildings	12-20
Equipment	5-25
Vehicles	5-15
Water Control Structures	25-50

Canals and levees are considered to be land improvements and therefore are not depreciated.

(j) Compensated Absences

District employees are granted a specific number of vacation and sick leave days with pay. Non-management employees are permitted to accumulate a maximum of 360 hours (45 days) of vacation as of December 31. Managers are permitted to accumulate a maximum of 480 hours (60 days) of vacation as of December 31. Excess time is forfeited if not used within 30 days after the end of the calendar year. Employees are reimbursed upon termination for a percentage of unused sick leave after at least 10 years of service. The costs of vacation and sick leave benefits (compensated absences) are budgeted and expended in the respective operating funds when payments are made to employees. However, the liability for all accrued and vested vacation and sick leave benefits plus sick leave benefits expected to become vested is recorded in the government-wide financial statements.

(k) Wetlands Mitigation

The District manages a program for mitigating the impact of wetland destruction through a specialized regulatory permit process. Permit applicants are required to remit a specified cash payment to the District as part of the permit conditions. The permit restricts the use of the funds received by the District to land acquisition, land restoration and long-term management of the lands in areas managed by the District that are near the lands being developed by permittees. The District accounts for the money received to assure it is used only for the approved purpose in the assigned area. Funds received for land acquisition and restoration (expendable) are placed in the Wetlands Mitigation SR Fund. Funds received for long-term management (nonexpendable) are placed in the Wetlands Mitigation Permanent Fund.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Fund Balances

In the fund financial statements, reservations of fund balance are reported to indicate a portion of fund balance is not available for appropriation for expenditure or is legally segregated for a specific purpose. Designations of fund balance identify tentative plans for the future use of financial resources. The undesignated fund balance is available for future appropriation.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS

In accordance with GASB Statement No. 3, certain investments are categorized to give an indication of the level of credit (not market) risk assumed by the District at September 30, 2001 based on various investment categories as to how securities are registered, insured or where held in custody. These credit risk categories are:

- (1) Insured or registered investments or securities held by the District or held by the District's agent in the District's name.
- (2) Uninsured or unregistered investments for which the securities are held by the counterparty or by its trust department or agent in the District's name.
- (3) Uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the District's name.

As of September 30, 2001 the District did not hold any investments that require categorizing for credit risk as shown above.

Cash and investments as of September 30, 2001 is composed of the following:

Investments in Local Government Surplus Funds Trust Fund	\$293,533,400
Cash Deposits:	
Money Market Accounts	9,112,340
Demand Deposit Accounts (Float)	(1,931,935)
	<hr/>
Total Cash Deposits	7,180,405
Petty Cash	6,475
	<hr/>
Total Cash Deposits and Petty Cash	7,186,880
	<hr/>
Total Cash and Investments	<u>\$300,720,280</u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(3) CASH AND INVESTMENTS (continued)

The money market account balance of \$9,112,340 was collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name. The demand deposit account balance was \$1,840,231 according to the bank statements and was covered by Federal depository insurance or was insured through the State of Florida public depository collateral pool.

(4) ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2001 consist of the following:

	General Fund	Save Our Rivers CP Fund	Other Funds	Total
FPL	\$ -	\$ -	\$4,000,000	\$4,000,000
Permits	-	-	1,255,633	1,255,633
Leases	2,647	25,000	115,734	143,381
Other	34,630	-	-	34,630
Allowance	-	-	(5,255,633)	(5,255,633)
	<u>\$37,277</u>	<u>\$25,000</u>	<u>\$115,734</u>	<u>\$178,011</u>

The receivable from FPL (Florida Power & Light Co.) represents amounts owed by the electric utility under contract with the District. The contract provides funding to respond to any water quality or other environmental effects that may occur when the utility constructs a power line through water conservation areas under the control of the District. An allowance for doubtful accounts has been recorded against this receivable until permit contingencies are resolved.

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables as of September 30, 2001 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$624,332	\$ -
Okeechobee Basin SR	496,895	-
Other Funds	-	1,121,227
	<u>\$1,121,227</u>	<u>\$1,121,227</u>

These balances resulted from loans made by the General Fund and the Okeechobee Basin SR Fund to cover temporary cash shortages in the other funds.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Interfund transfers during the year are as follows:

	Transfers In					
	General	Okeechobee Basin SR	Everglades Trust Fund	Comprehensive Everglades Restoration Plan	Other Funds	Total Transfers In
Transfers Out:						
General	\$ -	\$ -	\$ -	\$14,064,013	\$9,800,144	\$23,864,157
Okeechobee Basin SR	-	-	-	22,935,562	11,355,615	34,291,177
Save Our Rivers CP	-	884,625	-	-	229,000	1,113,625
Everglades Trust Fund	-	-	-	-	3,192,634	3,192,634
Other Funds	147,067	910,068	66,091	2,557,331	230,921	3,911,478
Total Transfers Out	<u>\$ 147,067</u>	<u>\$1,794,693</u>	<u>\$66,091</u>	<u>\$39,556,906</u>	<u>\$24,808,314</u>	<u>\$66,373,071</u>

The majority of transfers are used to account for the District's required share of funding for Everglades restoration in accordance with the Comprehensive Everglades Restoration Plan. Other transfers are to reimburse funds for expenditures made on behalf of the paying funds.

(6) PROPERTY TAXES

The District is permitted by Florida Statutes to levy taxes up to .800 mills per \$1,000 of assessed valuation. The rate levied for a majority of the District for fiscal year 2001 was .697 mills. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for real and personal property located within the District. The assessed value at January 1, 2000, upon which the fiscal year 2001 levy was based, was approximately \$366 billion.

A four percent discount is allowed if the taxes are paid in November, with the discount declining by one percentage point each month thereafter. Taxes become delinquent April 1 of each year. Delinquent property tax certificates are sold to the public beginning June 1, at which time a lien attaches to the property. By fiscal year end, virtually all property taxes are collected either directly or through tax certificate sales. Property tax revenues are recorded by the District based on the amount of receipts reported by the county tax collectors. Property taxes receivable from the county tax collectors at September 30, 2001 and included in tax revenues are \$816,793.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(7) INTERGOVERNMENTAL TRANSACTIONS

Amounts due from other governments at September 30, 2001 and intergovernmental revenues for 2001 consist of the following:

	September 30, 2001 Due From Other Governments	2001 Intergovernmental Revenues
U.S. Army Corps of Engineers	\$ 362,661	\$ 16,980,953
U.S. Federal Emergency Management Agency	2,353,404	2,346,340
U.S. Department of the Interior	525,484	42,642,850
U.S. Environmental Protection Agency	319,093	499,727
U.S. Department of Agriculture	-	437,450
Florida Department of Environmental Protection	11,191,155	46,642,964
Florida Department of Revenue		
Lake Belt Mitigation Fees	-	2,221,934
Florida Department of Transportation	-	6,745,208
Florida Wildlife Conservation Commission	2,740,321	-
Save Our Everglades Trust Fund	-	403,348
St. Lucie County	-	511,377
Various Counties:		
Ad Valorem Taxes	816,793	-
Property Appraiser Fee Credits	109,735	-
Tax Collector Fee Credits	1,150,905	-
Other Governments	344,417	1,053,776
Less Allowance for Doubtful Accounts	(2,740,321)	
Total	<u>\$17,173,647</u>	<u>\$120,485,927</u>

Property appraiser and tax collector fee credits represent refunds of fees charged in advance for expenditures by the various county property appraisers and tax collectors. Florida Statutes require the refunding of any unexpended fees to the various local governments.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(8) CAPITAL ASSETS ACTIVITY

	Balance at October 1, 2000	Additions	Retirements	Adjustments/ Reclassifications	Balance at September 30, 2001
Capital Assets Not Being Depreciated:					
Land	\$863,791,743	\$87,740,731	\$ -	\$ -	\$951,532,474
Canals and Levees	327,484,034	-	-	-	327,484,034
Construction In Process	<u>83,336,843</u>	<u>32,177,903</u>	<u>-</u>	<u>21,034,350</u>	<u>136,549,096</u>
Total Capital Assets Not Being Depreciated	<u>1,274,612,620</u>	<u>119,918,634</u>	<u>-</u>	<u>21,034,350</u>	<u>1,415,565,604</u>
Capital Assets Being Depreciated:					
Buildings	42,031,568	4,188,873	(38,500)	-	46,181,941
Equipment	85,707,128	12,034,037	(4,775,036)	(989,264)	91,976,865
Improvements	11,417,712	357,000	-	-	11,774,712
Water Control Structures	<u>147,479,964</u>	<u>2,614,652</u>	<u>-</u>	<u>94,451</u>	<u>150,189,067</u>
Total Capital Assets Being Depreciated	<u>286,636,372</u>	<u>19,194,562</u>	<u>(4,813,536)</u>	<u>(894,813)</u>	<u>300,122,585</u>
Less Accumulated Depreciation					
Buildings	12,427,724	1,210,091	(24,338)	-	13,613,477
Equipment	48,856,803	8,648,755	(4,090,735)	(802,553)	52,612,270
Improvements	4,966,188	470,919	-	-	5,437,107
Water Control Structures	<u>31,336,179</u>	<u>1,772,538</u>	<u>-</u>	<u>(8,707)</u>	<u>33,100,010</u>
Total Accumulated Depreciation	<u>97,586,894</u>	<u>12,102,303</u>	<u>(4,115,073)</u>	<u>(811,260)</u>	<u>104,762,864</u>
Capital Assets, Net	<u><u>\$1,463,662,098</u></u>	<u><u>\$127,010,893</u></u>	<u><u>\$ (698,463)</u></u>	<u><u>\$20,950,797</u></u>	<u><u>\$1,610,925,325</u></u>

Depreciation expense was charged to the following functions during the fiscal year:

General Government	\$173,102
Government and External Affairs	104,554
Everglades Restoration	333,428
Water Resource Management	1,429,585
Water Resource Operations	5,619,347
Corporate Resources	<u>4,442,287</u>
Total Depreciation Expense	<u><u>\$12,102,303</u></u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(9) DEFERRED REVENUE

	<u>Amount</u>
Okeechobee Basin SR Fund	\$221,219
State Appropriations Fund	10,975,184
Lake Okeechobee Trust Fund	14,367,540
Federal Emergency Management Agency Fund	<u>2,021,820</u>
Total Deferred Revenue	<u>\$27,585,763</u>

The Okeechobee Basin SR Fund, the State Appropriations Fund, and the Lake Okeechobee Trust Fund have deferred the recognition of revenue for cash advances until the criteria for earning revenue has been met. The deferral of revenue in the Federal Emergency Management Agency Fund results from the availability criteria not being met to allow for the recognition of revenue.

(10) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2001:

	Balance at October 1, 2000	Additions	Retirements And Adjustments	Balance at September 30, 2001	Amounts Due Within One Year
Land Acquisition Bonds	\$76,060,000	\$ -	\$ (3,985,000)	\$72,075,000	\$4,160,000
Bank Loans	25,824,243	-	(3,353,607)	22,470,636	3,496,940
Capital Leases	4,520,677	3,530,940	(1,778,301)	6,273,316	1,966,620
Compensated Absences	13,330,000	7,007,000	(5,652,000)	14,685,000	762,000
Other Claims	<u>4,105,000</u>	<u>-</u>	<u>(1,765,000)</u>	<u>2,340,000</u>	<u>140,000</u>
	<u>\$123,839,920</u>	<u>\$10,537,940</u>	<u>\$ (16,533,908)</u>	<u>\$117,843,952</u>	<u>\$10,525,560</u>

Special Obligation Land Acquisition Bonds are issued by the District to provide funds for the acquisition of environmentally sensitive lands. Principal and interest on the Land Acquisition Bonds are secured by a lien on documentary stamp excise taxes collected statewide by the State of Florida and allocated to the State's five water management districts through the Water Management Lands Trust Fund. The District accounts for debt service transactions in the Save Our Rivers CP Fund.

Issue	Original Amount	Fiscal Year Maturity	Rates	Remaining Balance
1993 Refunding	\$36,260,000	2002-2016	4.60-5.25%	\$34,635,000
1995 Refunding	17,975,000	2002-2007	4.50-5.00%	10,985,000
1996 Acquisition	<u>35,000,000</u>	2002-2016	4.70-6.00%	<u>26,455,000</u>
	<u>\$89,235,000</u>			<u>\$72,075,000</u>

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(10) LONG-TERM LIABILITIES (continued)

Fiscal year requirements to amortize bonded debt outstanding as of September 30, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$4,160,000	\$3,677,680	\$7,837,680
2003	3,450,000	3,501,187	6,951,187
2004	3,610,000	3,334,198	6,944,198
2005	3,780,000	3,155,705	6,935,705
2006	3,965,000	2,963,650	6,928,650
2007-2011	23,095,000	11,443,944	34,538,944
2012-2016	30,015,000	4,312,121	34,327,121
	<u>\$72,075,000</u>	<u>\$32,388,485</u>	<u>\$104,463,485</u>

During previous fiscal years the District entered into agreements with commercial banks to provide long-term financing for various capital projects.

The first loan, in the amount of \$10,000,000, provided funding for various capital projects, including an Emergency Operations Center, a Field Operations Center, and a new Fort Myers Service Center. The District agreed to repay this loan over seven years with an interest rate of 3.37%.

During fiscal year 1999 the District received a commercial bank loan in the amount of \$8,554,630. The proceeds from this loan were used to provide the District's share of a major land purchase with the federal government. The District agreed to repay this loan over seven years with an interest rate of 3.35%.

During fiscal year 2000 the District received a commercial bank loan in the amount of \$10,000,000. The proceeds from this loan will be used to finance the construction of a new building at the West Palm Beach headquarters. The District agreed to repay this loan over seven years with an interest rate of 4.99%.

Fiscal year requirements to amortize the bank loans as of September 30, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$3,496,940	\$870,519	\$4,367,459
2003	3,517,465	732,912	4,250,377
2004	3,669,244	591,394	4,260,638
2005	5,317,771	418,647	5,736,418
2006	4,821,015	195,675	5,016,690
2007	1,648,201	61,937	1,710,138
	<u>\$22,470,636</u>	<u>\$2,871,084</u>	<u>\$25,341,720</u>

(11) DEFICIT FUND BALANCE

At September 30, 2001 the Save Our Everglades Fund has a deficit fund balance of \$273,653. This deficit is expected to be covered by future reimbursements from the Florida Save Our Everglades Trust Fund.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(12) OPERATING LEASES

The District is committed under various operating leases for building, office space and data processing equipment. Lease expenditures for the year ended September 30, 2001 amounted to \$977,330. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Minimum Lease Payments</u>
2002	\$631,396
2003	512,999
2004	490,084
2005	249,162
2006	<u>126,492</u>
	<u>\$2,010,133</u>

(13) CAPITAL LEASES

The District has lease agreements that qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the inception date of the lease.

The following is a schedule of the District's future minimum lease payments under the capital leases, and the present value of the net minimum lease payments as of September 30, 2001:

<u>Fiscal Year Ending September 30</u>	<u>Minimum Lease Payments</u>
2002	\$2,216,148
2003	1,874,033
2004	1,527,839
2005	858,789
2006	<u>333,836</u>
Total minimum lease payments	6,810,645
Less: Amount representing interest	<u>(537,329)</u>
Present value of future minimum lease payments	<u>\$6,273,316</u>

(14) DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the Florida Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year the System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(14) DEFINED BENEFIT PENSION PLAN (continued)

Funding Policy: The System is non-contributory for employees and the District is required to contribute an actuarially determined rate. During the fiscal year the rate was 8.7 % of annual covered payroll. The contributions of the District are established and may be amended by the State Legislature. The District's contributions to the System for the years ending September 30, 2001, 2000, and 1999 were \$7,561,748, \$7,683,976, and \$11,440,378, respectively, equal to the required contributions for each year.

(15) INSURANCE ACTIVITIES

The District is exposed to the various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In 1976 the District established a self-insurance program for its workers' compensation exposure. The District is totally self-insured for workers' compensation claims. In 1986 the District established a self-insurance program for automobile and general liability claims. The District's financial exposure for automobile and general liability is limited to \$100,000 per person and \$200,000 per occurrence pursuant to Section 768.28, Florida Statutes. The District transfers its risk for personal and real property through the purchase of an insurance policy. The coverage is written on a 100% replacement/stated value basis, with varying retentions. The District fully insures its liability for employee and retiree medical benefits. Settled claims have not exceeded the amount of commercial coverage or the legally defined liability limits in any of the past three fiscal years.

The self-insurance program is accounted for in the General Fund. Expenditures relating to insurance are charged to other funds based on a cost allocation study. These expenditures include actuarial estimates utilizing the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense. The actuarial figures are utilized to determine the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses and for losses incurred but not reported (IBNR) at year end.

The total estimated liability as of September 30, 2001 is \$5,762,410 and is presented on a discounted basis using an expected investment yield of 4.5%. Changes in the Fund's claims liability amount for the current and prior fiscal years are summarized below:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2000	\$4,601,644	\$1,605,151	\$ 921,248	\$5,285,547
2001	5,285,547	1,682,329	1,205,466	5,762,410

(16) COMMITMENTS – CONDEMNATION PROCEEDINGS

The District is party to numerous lengthy condemnation proceedings (as plaintiff) and inverse condemnation proceedings (as defendant or co-defendant) regarding the taking of private lands throughout the District for public use. The court may rule there was no taking of land by the District resulting in no commitment to the District. Where a taking is ruled, the court determines the value of the land claimed by the owner and payment is made to the owner upon transfer of title to the District.

At September 30, 2001 the court has yet to rule on a number of proceedings for which the land value and title transfer date is undetermined. The District's estimated future commitment for the purchase price of these lands (including attorneys' fees, interest, and other costs) is approximately \$75.2 million.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(16) COMMITMENTS – CONDEMNATION PROCEEDINGS (continued)

Should the court rule there is no taking of land or that the value of the land claimed by the owners is lower than the amounts claimed, the estimated future purchase commitment will vary. When the court rules there is a taking, the District will budget and appropriate funds to pay for the purchase of the land.

(17) MAJOR CONSTRUCTION COMMITMENTS

The **Everglades Construction Project** (ECP) is the first major step in Everglades restoration pursuant to the Everglades Forever Act of 1994. The Act directs the District to acquire land, design, permit, and construct a series of Stormwater Treatment Areas (STAs) to reduce phosphorus levels from stormwater runoff and other sources before it enters the Everglades Protection Area. These six large constructed wetlands, totaling over 47,000 acres, are the cornerstone of the ECP.

Of the estimated \$743 million cost, the District has expended \$421 million on the Everglades Construction Project through fiscal year 2001. The District is required to finish construction of the final STA by October 1, 2003 and other ancillary projects will continue through fiscal year 2006. Funding is mainly provided by a one-tenth mill tax levy, and an agricultural privilege tax on landowners in the Everglades Agricultural Area.

Construction began on a **New Administrative Office Building** (B-2 Building) at the District's main campus in West Palm Beach during fiscal year 2001. The building is estimated to cost \$18.4 million and is scheduled to be completed in fiscal year 2002.

(18) KISSIMMEE BASIN RESTORATION

The restoration of the **Kissimmee Basin** is a massive project that includes converting the Kissimmee River and adjacent lands back to a more natural state. This involves restoring 43 miles of the historic river and approximately 40 square miles of river/floodplain ecosystem.

The state and federal governments will split the estimated \$500 million cost to restore the river. The U.S. Army Corps of Engineers is responsible for the construction and the design of the restoration. The state has purchased approximately 80 percent of the 87,000 acres it needs, including land around the up-river lakes, to hold more water. Approximately \$84.5 million is required to obtain the remaining land interests.

(19) COMPREHENSIVE EVERGLADES RESTORATION PLAN

The **Comprehensive Everglades Restoration Plan** (CERP) is the plan for the restoration, protection, and preservation of the water resources of central and southern Florida, including the Everglades. Principal features of the plan are the creation of approximately 217,000 acres of new reservoirs and wetlands-based water treatment areas. These features vastly increase storage and water supply for the natural system, as well as for urban and agricultural needs. The CERP is intended to restore a more natural flow of water, improve water quality and restore a more natural hydroperiod in the South Florida ecosystem.

Through the Water Resources Development Act of 2000, Congress has authorized an initial \$1.4 billion package of projects that will begin implementation of the Comprehensive Plan. The initial authorization includes (1) four pilot projects, (2) ten specific project features, and (3) a programmatic authority through which smaller projects can be more quickly implemented. Authorization for the remaining features of the Plan will be requested in subsequent Water Resources Development Act proposals beginning in 2002.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(19) COMPREHENSIVE EVERGLADES RESTORATION PLAN (continued)

Implementation of the Comprehensive Everglades Restoration Plan is estimated to cost \$8.4 billion, half of which will be paid by the federal government. The State of Florida and the South Florida Water Management District will each provide approximately one-fourth of the total cost.

(20) SUBSEQUENT EVENT

On December 14, 2001 the District entered into an agreement with a commercial bank to borrow \$9,000,000 to complete financing of additional administrative offices in West Palm Beach. The District agreed to repay this loan over seven years with an interest rate of 3.57%.

(21) OTHER COMMITMENTS AND CONTINGENCIES

The District participates in several federal and state assistance programs that are subject to financial and program compliance audits. Such audits could lead to reimbursements to the grantor agency for disallowed expenditures. However, management believes such disallowances, if any, will be immaterial.

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2001

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Property Taxes	\$99,293,082	\$99,293,082	\$100,664,331	\$1,371,249
Intergovernmental	132,720	272,720	292,828	20,108
Interest	4,500,049	4,500,049	4,994,449	494,400
Licenses, Permits and Fees	4,168,900	4,168,900	4,059,715	(109,185)
Self Insurance Premiums	2,908,164	2,908,164	2,323,352	(584,812)
Sale of District Property	254,000	254,000	195,099	(58,901)
Indirect Costs Recovered	-	-	2,966,738	2,966,738
Leases	65,000	65,000	76,902	11,902
Other	-	-	519,402	519,402
Total Revenues	111,321,915	111,461,915	116,092,816	4,630,901
<u>EXPENDITURES</u>				
<u>General Government</u>				
Executive Office	949,230	1,201,230	1,294,557	(93,327)
Ombudsman	329,102	279,102	257,458	21,644
Inspector General	784,145	715,585	699,552	16,033
Counsel	4,583,748	4,197,363	3,642,019	555,344
Big Cypress Basin	357,100	357,100	22,000	335,100
Tax Collector and Property Appraiser Fees	2,030,119	2,030,119	2,173,558	(143,439)
Total General Government	9,033,444	8,780,499	8,089,144	691,355
<u>Government and External Affairs</u>				
Total Government and External Affairs	-	671,983	642,686	29,297
<u>Everglades Restoration</u>				
Everglades Restoration Staff	26,852	37,852	14,124	23,728
Program Controls	-	31,000	19,086	11,914
Restoration Program	-	10,000	35,764	(25,764)
Total Everglades Restoration	26,852	78,852	68,974	9,878
<u>Water Resource Management</u>				
Water Resource Management Staff	235,595	205,595	184,382	21,213
Environmental Resource Regulation	7,151,266	6,992,191	6,388,709	603,482
Water Supply	14,687,136	16,037,636	10,808,762	5,228,874
Watershed Management	5,499,671	5,483,785	3,060,292	2,423,493
Engineering and Construction	14,456	14,456	14,006	450
Service Centers	6,936,027	6,323,412	5,205,710	1,117,702
Total Water Resource Management	34,524,151	35,057,075	25,661,861	9,395,214

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2001

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>EXPENDITURES</u>				
<u>Water Resource Operations</u>				
Water Resource Operations Staff	250,822	258,822	228,857	29,965
Technical Services	5,717,971	5,822,971	3,786,240	2,036,731
North Field Operations	113,884	113,884	-	113,884
Central Field Operations	-	4,811,612	4,146,359	665,253
Operations Controls	603,108	625,108	345,029	280,079
Vegetation and Land Stewardship	17,751	7,751	-	7,751
Total Water Resource Operations	6,703,536	11,640,148	8,506,485	3,133,663
<u>Corporate Resources</u>				
Corporate Resources Staff	2,470,879	3,005,879	2,687,938	317,941
Finance and Administration	15,680,860	13,469,094	10,850,352	2,618,742
Information Technology	20,323,629	19,955,236	16,547,886	3,407,350
Environmental Monitoring and Assessment	12,566,743	12,560,543	10,484,567	2,075,976
Human Resources	3,317,563	3,518,422	2,947,004	571,418
Procurement	2,400,855	2,270,855	2,061,332	209,523
Total Corporate Resources	56,760,529	54,780,029	45,579,079	9,200,950
<u>Contingency</u>				
Managerial Reserve	1,585,689	833,689	-	833,689
Total Expenditures	108,634,201	111,842,275	88,548,229	23,294,046
Revenues In Excess of (Less Than) Expenditures	2,687,714	(380,360)	27,544,587	27,924,947
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	150,000	193,074	147,067	(46,007)
Transfers Out	(27,885,363)	(25,560,363)	(23,864,157)	1,696,206
Capital Lease Proceeds	4,000,000	4,000,000	2,351,289	(1,648,711)
Total Other Financing Sources (Uses)	(23,735,363)	(21,367,289)	(21,365,801)	1,488
Net Change in Fund Balances	(21,047,649)	(21,747,649)	6,178,786	27,926,435
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	42,886,138	42,886,138	42,886,138	-
FUND BALANCE AT END OF YEAR	\$21,838,489	\$21,138,489	\$49,064,924	\$27,926,435

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

SPECIAL REVENUE FUND
OKEECHOBEE BASIN SR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2001

REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Property Taxes	\$101,132,301	\$101,132,301	\$102,532,014	\$1,399,713
Intergovernmental	1,110,974	1,610,974	2,307,841	696,867
Interest	4,864,939	4,864,939	4,221,377	(643,562)
Licenses, Permits and Fees	197,000	197,000	264,230	67,230
Sale of District Property	50,000	50,000	71,628	21,628
Leases	-	-	21,481	21,481
Other	-	-	51,077	51,077
Total Revenues	107,355,214	107,855,214	109,469,648	1,614,434
EXPENDITURES				
<u>General Government</u>				
Counsel	959,554	1,034,554	739,262	295,292
Big Cypress Basin	11,680	11,680	2,653	9,027
Tax Collector and Property Appraiser Fees	2,012,692	2,012,692	2,182,328	(169,636)
Total General Government	2,983,926	3,058,926	2,924,243	134,683
<u>Government and External Affairs</u>				
Total Government and External Affairs	-	5,110	-	5,110
<u>Everglades Restoration</u>				
Everglades Restoration Staff	100,480	90,480	27,525	62,955
Program Controls and Support	-	22,000	40,786	(18,786)
Land Acquisition	-	740,000	696,886	43,114
Restoration Program	-	-	289	(289)
Everglades Construction Project	-	10,000	2,950	7,050
Total Everglades Restoration	100,480	862,480	768,436	94,044
<u>Water Resource Management</u>				
Water Supply	-	120,000	120,000	-
Watershed Management	9,702,085	10,274,251	8,081,122	2,193,129
Engineering and Construction	5,900,734	7,008,817	6,314,329	694,488
Service Centers	10,538,916	10,610,798	6,261,322	4,349,476
Total Water Resource Management	26,141,735	28,013,866	20,776,773	7,237,093

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

SPECIAL REVENUE FUND
 OKEECHOBEE BASIN SR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2001

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>EXPENDITURES</u>				
<u>Water Resource Operations</u>				
Water Resource Operations Staff	462,381	498,381	459,838	38,543
Technical Services	5,844,063	5,780,953	4,915,703	865,250
North Field Operations	10,539,215	10,914,215	9,799,614	1,114,601
Central Field Operations	13,579,442	14,574,620	13,612,078	962,542
South Field Operations	14,702,916	13,744,611	12,272,445	1,472,166
Operations Controls	2,875,815	2,965,815	2,075,603	890,212
Vegetation and Land Stewardship	4,566,637	4,641,637	4,020,069	621,568
Total Water Resource Operations	52,570,469	53,120,232	47,155,350	5,964,882
<u>Corporate Resources</u>				
Corporate Resources Staff	77,262	77,262	70,419	6,843
Information Technology	11,219	11,219	-	11,219
Environmental Monitoring and Assessment	34,765	34,765	34,083	682
Total Corporate Resources	123,246	123,246	104,502	18,744
<u>Contingency</u>				
Managerial Reserve	8,143,413	7,206,231	-	7,206,231
Total Expenditures	90,063,269	92,390,091	71,729,304	20,660,787
Revenues In Excess of (Less Than) Expenditures	17,291,945	15,465,123	37,740,344	22,275,221
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,064,625	1,861,447	1,794,693	(66,754)
Transfers Out	(38,867,980)	(37,837,980)	(34,291,177)	3,546,803
Capital Lease Proceeds	971,400	971,400	1,179,651	208,251
Total Other Financing Sources (Uses)	(36,831,955)	(35,005,133)	(31,316,833)	3,688,300
Net Change in Fund Balances	(19,540,010)	(19,540,010)	6,423,511	25,963,521
FUND BALANCE AT BEGINNING OF YEAR	30,175,824	30,175,824	30,175,824	-
FUND BALANCE AT END OF YEAR	\$10,635,814	\$10,635,814	\$36,599,335	\$25,963,521

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

SPECIAL REVENUE FUND STATE APPROPRIATIONS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2001

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Intergovernmental	\$18,519,813	\$18,969,813	\$8,042,121	(\$10,927,692)
Interest	235,368	235,368	362,714	127,346
Other	-	-	4,813	4,813
Total Revenues	18,755,181	19,205,181	8,409,648	(10,795,533)
<u>EXPENDITURES</u>				
<u>Water Resource Management</u>				
Environmental Resource Regulation	3,535,974	3,535,974	2,888,727	647,247
Water Supply	143,407	1,067,191	1,280,939	(213,748)
Watershed Management	2,250,277	2,304,477	802,971	1,501,506
Engineering and Construction	4,888,315	4,888,315	2,014,361	2,873,954
Service Centers	6,461,814	6,911,814	768,735	6,143,079
Total Water Resource Management	17,279,787	18,707,771	7,755,733	10,952,038
<u>Water Resource Operations</u>				
Technical Services	4,375	4,375	4,375	-
North Field Operations	48,000	48,000	-	48,000
Total Water Resource Operations	52,375	52,375	4,375	48,000
<u>Corporate Resources</u>				
Environmental Monitoring and Assessment	180,090	125,890	95,526	30,364
Total Corporate Resources	180,090	125,890	95,526	30,364
<u>Contingency</u>				
Managerial Reserve	9,604,389	6,980,605	-	6,980,605
Total Expenditures	27,116,641	25,866,641	7,855,634	18,011,007
Net Change in Fund Balances	(8,361,460)	(6,661,460)	554,014	7,215,474
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	4,036,148	4,036,148	4,036,148	-
FUND BALANCE AT END OF YEAR	(\$4,325,312)	(\$2,625,312)	\$4,590,162	\$7,215,474

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

SPECIAL REVENUE FUND LAKE OKEECHOBEE TRUST FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2001

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Intergovernmental	\$23,500,000	\$23,500,000	\$9,132,460	(\$14,367,540)
Interest	-	-	80,645	80,645
Total Revenues	23,500,000	23,500,000	9,213,105	(14,286,895)
<u>EXPENDITURES</u>				
<u>Water Resource Management</u>				
Watershed Management	12,000,000	11,500,000	98,234	11,401,766
Engineering and Construction	8,500,000	8,500,000	8,500,000	-
Service Centers	3,000,000	-	-	-
Total Water Resource Management	23,500,000	20,000,000	8,598,234	11,401,766
<u>Water Resource Operations</u>				
Technical Services	-	3,000,000	-	3,000,000
Vegetation and Land Stewardship	-	500,000	499,519	481
Total Water Resource Operations	-	3,500,000	499,519	3,000,481
Total Expenditures	23,500,000	23,500,000	9,097,753	14,402,247
Net Change in Fund Balances	-	-	115,352	115,352
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$115,352	\$115,352